KEMIRA GROUP INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2001
Business operations continue steadily - pension fund investment returns disappoint

- Net sales: EUR 1,853 million (1,915 million in Jan.-Sept. 2000)
- Operating income: EUR 127 million (137 million)
- Income after financial items: EUR 104 million (113 million)
- Net income: EUR 67 million (175 million)
- Earnings/share: EUR 0.55 (0.49)

Kemira’s core growth areas are pulp and paper chemicals, water treatment chemicals and paints. Other core business areas are specialty fertilizers and industrial chemicals (including titanium dioxide pigment).

EUR million	Q1	Q2	Q3	Q1-3
Net sales				
in 2001	651.4	636.0	565.9	1,853.3
in 2000	707.2	633.8	573.5	1,914.5
Operating income				
in 2001	56.7	54.6	15.8	127.1
in 2000	36.0	67.0	33.7	38.1

The Kemira Group’s net sales in the January-September period of the current year were EUR 1,853 million, down 3% on the same period a year earlier (1,915 million). Growth in ongoing operations was 8%.

Consolidated operating income in July-September was EUR 16 million (34 million). Third-quarter operating income was burdened by the increased contributions to the Group’s Finnish pension foundations because investment income fell markedly below last year’s figure. The contributions to the Group’s Finnish pension foundations are forecast to be about EUR 46 million over the whole year or EUR 35 million higher this year than last year, when the pension foundations’ good investment income in the early part of the year lowered contributions. Of this amount, EUR 33 million was booked to the January-September period.

Operating income for January-September was EUR 127 million, down 10 million on the previous year and representing 7% of net sales (7%). Interests in the results of associated companies amounted to a total of EUR 1.4 million. Income before taxes and minority interests was EUR 104 million (273 million) and income after taxes was EUR 67 million (175 million). Last year’s figures included non-recurring income to a net amount of EUR 160 million. Earnings per share net of non-recurring items were EUR 0.55 (0.49). Cash flow after capital expenditures and income from the sale of assets was EUR 106 million negative (509 million). Cash flow per share from operations was EUR 0.95 (1.35). Equity per share was EUR 9.42 (9.08

at the end of the previous year) and the gearing ratio was 59% (37% at the end of the previous year). The Group’s effective tax rate was 33% for the nine months to 30 September.

The average number of the Group’s employees in January-September was 10,312 (8,865 at the end of 2000).

Last year’s comparison figures for the business areas have been restated to be in line with the current business structure.

AGREEMENT BETWEEN INDUSTRI KAPITAL AND THE FINNISH STATE

The European private equity firm Industri Kapital and the Finnish State have preliminarily agreed on an industrial restructuring with the purpose of forming a worldwide specialty chemicals group. The parties intend to combine the businesses of Kemira Oyj, Dynea Oy and Sydsvenska Kemi AB. Prior to its proposed combination with Kemira, Dynea intends to acquire Sydsvenska Kemi, which owns Perstop AB and Neste Oxo AB. Both Dynea and Sydsvenska Kemi are controlled by Industri Kapital. The Finnish state is Kemira’s largest shareholder, with a holding of about 56 per cent.

Dynea will pay EUR 9.10 per share for the Kemira shares. The Finnish state will receive as consideration for its Kemira shares a 34 per cent interest in the new group and an additional 100 million euros in cash.

After the final agreement between the Finnish State and Industri Kapital is signed, Dynea will make a public tender offer to Kemira’s minority shareholders for all the outstanding shares in Kemira. Dynea will offer Kemira’s shareholders EUR 9.10 per share. The offer values Kemira’s entire shares outstanding at a total of about EUR 1.1 billion. The offer price is at a premium of 33 per cent to the weighted average trading price of Kemira shares during the last 30 trading days, 51 per cent during the last 12 months and 53 per cent over the last three years, calculated from the date of announcement of the tender offer.

Prior to commencement of the offer period, a prospectus setting forth the terms and conditions of the offer will be published and made available to shareholders and holders of instruments entitling to shares in Kemira. Completion of the public tender offer still requires signing of the final agreement between the Finnish state and Industri Kapital. Following the tender offer and a pre-emptive purchase of minority shareholdings, an application will be made to delist the Kemira share from the Main List of Helsinki Exchanges.

Entry into force of the agreement between Industri Kapital and the Finnish State is subject to, among other things, approval by the Finnish parliament, satisfactory due diligence, finalization of financing for the transaction, drawing up of the necessary documents and approval by the competition and other authorities, including the European Commission. It is a further condition that Dynea obtains more than 90 per cent of Kemira's shares and that the deal between Dynea and Sydsvenska Kemi goes through.

After the final agreement and the public tender offer are completed, the Finnish State's holding in the new group will be 34 per cent. Industri Kapital together with Dynea's management and other co-investors will own the remaining 66 per cent of the shares.

Preparations for the arrangement have moved ahead as planned, with due diligence in the final stages and discussion on approval of the arrangement presently in progress in parliamentary committees.

To the Board's knowledge the contractual parties, the Finnish State and Industri Kapital, have not published anything which would prevent implementation of the plan. In public discussion concerning the arrangement, critical opinions have been voiced, mainly by the Chemical Workers Union, certain members of Parliament and representatives of Kemira's personnel groups.

CHEMICALS

EUR million	Q1	Q2	Q3	Q1-3
Net sales				
in 2001	225.5	234.7	220.1	680.3
in 2000	205.4	220.0	219.8	645.1
Operating income				
in 2001	24.5	25.0	18.1	67.7
in 2000	28.1	26.7	25.1	79.9

Kemira Chemicals had net sales in the third quarter of EUR 220 million (220 million). Growth since the beginning of the year has been 5%, with net sales of EUR 680 million. Third-quarter operating income was EUR 18 million (25 million). Operating income in the January-September period was EUR 68 million (80 million), or 10 per cent of net sales. The rise in pension costs owing to the fall in the investment income of pension foundations compared with the previous year burdened the result of Chemicals as a whole. The contributions to Kemira Chemicals' Finnish pension foundations are estimated to be about EUR 26 million higher at the annual level than they were last year. In January-September, EUR 20 million of these pension costs was booked.

The Pulp & Paper Chemicals unit's net sales grew by 9%. Strong growth has continued within specialty paper chemicals following Kemira's acquisition of Krems Paper Chemicals in September of last year. On the other hand, the production volumes of the pulp and paper industry have been below last year's figures, and this has affected the consumption of chemicals. Specifically, the profitability of bleaching chemicals did not meet objectives due to the lower capacity utilization rates and a rise in the level of costs. The unit's operating income was lower than it was a year ago.

The specialty paper chemicals business was strengthened by acquiring the paper chemicals operations of the Swiss company van Baerle. The transaction includes both rosin sizes and organic coagulant polymers. The business had annual sales of about EUR 3.4 million, primarily in Switzerland and Germany. The Cargas Blancas calcium sulphate pigment business was acquired in Spain. Cargas Blancas rounds out well Kemira's range of pigments used in paper manufacture.

The Kemwater unit, which produces water treatment chemicals, reported a rise of 6% in net sales. Operating income improved substantially on the previous year. The biggest improvement was achieved in the markets of Central and Southern Europe. Operations in Italy were reinforced by purchasing the ferrichloride business of Ageco, which is located in Cremona. The company has an annual capacity of 25,000 tonnes. The production plant will be integrated into Kemira's Italian subsidiary Kemira Chimica SpA. Kemira's stake in the Chinese water chemicals joint venture Kemwater (Yixing) Co., Ltd was increased to 89% by purchasing 29% of the Chinese partner's shares.

Net sales of the Industrial Chemicals business unit fell 1% short of last year's level, but operating income improved. The market situation of titanium dioxide pigments has been weakening all year and prices and demand have been down. Sales volumes of Kemira's titanium dioxide pigments were, however, 3% higher than last year. The unit's profitability has held up well, though it has fallen compared with last year. The sales figures and profitability of both calcium chloride and formic acid have improved. Within detergent raw materials, the extension to the sodium percarbonate production unit in Sweden went into operation in the early autumn. The detergent phosphate business was divested in September of last year, leaving only the custom manufacturing business, which meant a considerable decrease in volumes.

Kemira Fine Chemicals' sales fell 20% short of the previous year's figure. Profitability was also somewhat below the previous year's figures.

PAINTS AND COATINGS

EUR million	Q1	Q2	Q3	Q1-3
Net sales				
in 2001	104.3	133.2	124.9	362.4
in 2000	58.4	67.0	66.5	192.0
Operating income				
in 2001	3.5	9.8	12.5	25.8
in 2000	5.9	6.5	5.3	17.6

Following the acquisition of Alcro-Beckers, net sales of the paint business nearly doubled in the third quarter compared with the year-ago figure and were EUR 125 million (67 million). From the beginning of the year net sales were up 89% to EUR 362 million (192 million). The sales trend has been good in the main market areas, except for industrial coatings in Great Britain. Third-quarter operating income was EUR 13 million (5 million). And for the January-September period it reached EUR 26 million (18 million), or 7% of net sales (9%). About EUR 3 million of amortization of the goodwill booked on the Alcro-Beckers acquisition was charged against operating income in the first part of the year, whereas the target is to achieve synergy benefits bringing annual savings of EUR 5-10 million later on this year and next. Last year's operating income included EUR 1.4 million of other operating income from the Coatings' arrangements in Great Britain as well as EUR 0.9 million from the disposal of the Italian company Matherson S.p.A., a previous CPS unit which manufactures colour cards.

Net sales from decorative paints were up 163% as a consequence of purchasing Alcro-Beckers. Net of the acquisition, growth was 12%. Growth in the Russian market was especially strong. Industrial coatings reported an increase of 6% in net sales, the bulk of which came in the export markets. The reorganization of operations that has been started in Great Britain will result in costs of about EUR 1 million this year.

AGRO

EUR million	Q1	Q2	Q3	Q1-3
Net sales				
in 2001	328.1	288.4	228.9	845.4
in 2000	331.4	311.2	266.8	909.4
Operating income				
in 2001	30.9	19.5	-9.9	40.5
in 2000	3.4	14.4	-2.1	15.6

Kemira’s plant nutrient company, Agro, had net sales in the third quarter of EUR 229 million (267 million), with net sales from the beginning of the year totalling EUR 845 million (909 million). The effect of waterlogged fields due to heavy rainfall in Europe had a major impact on sales in the spring and, on balance, fertilizer sales volumes were down by nearly a quarter on last year’s figures. Third quarter sales volumes were about 14% below the year-ago period. Because of slow sales in September, production had to be curtailed further.

Agro reported operating income in January-September of EUR 40 million (16 million), or 5% of net sales. The third-quarter operating result was a loss of EUR 10 million (a loss of 2 million).

The specialty fertilizer unit Kemira Agro Specialties reported a marked increase in net sales in the first part of the year compared with last year. The growth came mainly from Kemira becoming the majority shareholder in the associated company UAB Kemira Lifosa in Lithuania as well as from growth in feed phosphates. Sales volumes of NPK fertilizers declined by 15% and prices continued firm. Operating income declined on last year.

The safety, efficiency and competitiveness of the plants in Uusikaupunki will be improved by carrying out capital expenditures totalling EUR 10 million to modernize the plant automation and cooling systems.

A decision has been taken to establish an agricultural logistics joint venture in Lithuania with Movere Oy. Movere UAB will start operations on 1 January 2002. Kemira owns an 80% interest in the company.

The project for expanding operations in accordance with Agro’s specialization strategy is moving ahead in Jordan, where a unit that will manufacture potassium nitrate and feed phosphates is being built.

Net sales of the Kemira Agro Nitrogen unit were down clearly on last year. Heavy rainfall in the spring was detrimental to the unit’s markets and the volumes of fertilizers it delivered were substantially below last year’s. The price level has held up well and in the beginning of the autumn season it was the same as last year. The price of natural gas used in the manufacture of nitrogen raw material (ammonia) was higher than in 2000. Fixed costs were markedly lower following the closure of the Rozenburg plant. Operating income improved on last year.

OTHER OPERATIONS

Kemira Metalkat, the Group’s catalytic converter unit, reported net sales for the nine months to September 30 of EUR 32 million, up 3% on last year. Metalkat posted a loss of EUR 0.6 million (operating income of 3.7 million in Jan.-Sept. 2000).

CAPITAL EXPENDITURES

The Group’s gross capital expenditures in the cash flow statement amounted to EUR 235 million (181 million). Income from the sale of shares and assets totalled EUR 13 million (518 million). Full-year gross capital expenditures are estimated to be about EUR 300 million (218 million).

FINANCING

Net financing expenses in January-September were EUR 23 million (24 million). A loss on foreign exchange of EUR 1.6 million was booked, of which the effect of applying IAS 39 was EUR 1.5 million negative. Fixed-interest loans amounted to about 54% of the total amount of interest-bearing loans (excluding pension loans, which are not considered to be fully fixed-interest liabilities).

Interest-bearing net debt was EUR 671 million, or EUR 246 million higher than at the end of last year, mainly as a consequence of the Alcro-Beckers acquisition.

In accordance with an authorization granted by the Annual General Meeting, the company purchased its own shares by 31 August to a total amount of 2,530,500 at an average price of EUR 6.77 per share. No own shares were purchased in September.

FULL-YEAR OUTLOOK

For **Kemira Chemicals**, the market outlook of the Pulp & Paper Chemicals unit will be affected by the weaker demand which is continuing within the pulp and paper industry. Thanks to the acquisition of Krems Paper Chemicals, net sales are expected to increase on last year, but profitability will probably be weaker than it was last year.

Kemwater's result is expected to improve further.

The outlook for the Industrial Chemicals unit is good for formic acid, calcium chloride and detergent chemicals, though the market outlook for titanium dioxide pigments is poorer than it was a year ago.

Pension costs will burden this year's earnings significantly, especially since the investment income of Kemira Chemicals' pension foundations will fall considerably below last year's level. Kemira Chemicals' full-year operating income will come in below last year's result.

Demand for **paints and coatings** in the main markets appears moderately good and the general slowdown in the economy is not expected to have a significant impact on it. The strong growth in demand for paints is expected to continue, especially in Russia and the Baltic countries.

Within industrial coatings, the weak economic trend in Great Britain and continental Europe together with production curtailments initiated by certain major customers will nevertheless weaken the result.

On the Deco side (decorative paints), the goodwill amortization and structural arrangements following the Alcro-Beckers deal will cut into operating income as expected and synergy benefits will not yet have time to offset them to a sufficient extent.

Full-year operating income of the paint business will be lower than last year's figure, which still included CPS.

Uncertainty still surrounds **Agro's** prospects owing to the build-up of producers' stocks as a result of low deliveries. These increased stocks will lead to further production curtailments at Agro's plants too. On the other hand, soil nutrient concentrations are exceptionally low for the same reasons and this means that demand can be expected to improve, although probably not before next spring. The autumn fertilizer season has started off at the same price level as last year.

Agro’s full-year operating income is expected to improve, but to a substantially lesser extent than was assumed in the previous estimate that was given in the summer.

The publication of the memorandum of intent concerning the above-mentioned change in Kemira Oyj’s ownership has in practice halted actions aiming at divesting Agro’s nitrogen fertilizer business for the time being.

Agro is pushing ahead with measures to further improve its cost-effectiveness. The cost effects of the measures and the benefits they can deliver will be worked out over the next few months.

Operating income of the entire Group **is expected to come in below last year’s. Financing expenses are forecast to be near the level reported in 2000.**

Helsinki, 6 November 2001

Board of Directors

All forecasts and estimates mentioned in this report are based on the current judgement of the economic environment and the actual results may be significantly different.

KEMIRA GROUP JANUARY-SEPTEMBER 2001

The figures are unaudited.
The business figures for the comparison year have been adjusted to correspond to the present corporate structure.

INCOME STATEMENT EUR million	1-9/2001	1-9/2000	2000
Net sales	1,853.3	1,914.5	2,486.0
Shares of associates' profits	1.4	2.7	-0.5
Other income from operations	19.2	20.5	30.9
Cost of sales	-1,629.2	-1,678.5	-2,170.3
Depreciation	-117.6	-122.5	-171.3
Operating income	127.1	136.7	174.8
Financing income and expenses	-23.3	-24.2	-30.5
Income before non-recurring items, taxes and minority			

interests	103.8	112.5	144.3
Non-recurring items from discontinuing operations	-	160.0	162.2
Income before taxes and minority interests	103.8	272.5	306.5
Direct taxes *)	-34.4	-95.4	-96.3
Income before minority interests	69.4	177.1	210.2
Minority interest	-2.0	-2.3	-2.4
Net income	67.4	174.8	207.8

INCOME STATEMENT EUR million	7-9/2001	7-9/2000
Net sales	565.9	573.5
Shares of associates' profits	-1.6	1.6
Other income from operations	4.9	0.4
Cost of sales	-513.2	-505.2
Depreciation	-40.2	-36.6
Operating income	15.8	33.7
Financing income and expenses	-5.4	-3.1
Income before non-recurring items, taxes and minority interests	10.4	30.6
Non-recurring items from discontinuing operations	-	96.0
Income before taxes and minority interests	10.4	126.6
Direct taxes *)	-6.8	-48.7
Income before minority interests	3.6	77.9
Minority interest	-0.5	-1.7
Net income	3.1	76.2

*) Taxes are stated as the tax corresponding to the result for the period

Key figures	1-9/2001	1-9/2000	2000
Earnings per share, EUR	0.55	0.49	0.73
Cash flow from operations per share, EUR	0.95	1.35	1.69
Capital expenditure, EUR million	235	181	218
Average number of shares (1000) **)	121,558	127,372	126,623

Equity per share, EUR	9.42	8.85	9.08
Equity ratio, %	46.0	43.9	47.7
Gearing, %	58.7	39.0	37.2
Net liabilities EUR million	671	441	425
Personnel (average)	10,312	9,892	9 644

Key figures	7-9/2001	7-9/2000
Earnings per share, EUR	0.03	0.03
Cash flow from operations per share, EUR	0.66	0.50
Capital expenditure, EUR million	47	113
Average number of shares (1000) **)	120,190	126,604

**) Weighted average number of shares outstanding, adjusted by the number of shares bought back.

BALANCE SHEET
EUR Million

	30.9.2001	31.12.2000
Non-current assets		
Intangible assets	172.7	88.7
Tangible assets	1,073.3	1,049.5
Investments	165.8	138.3
Total non-current assets	1,411.8	1,276.5
Current assets		
Inventories	387.1	348.7
Receivables		
Interest-bearing receivables	25.3	11.2
Other interest-free receivables	560.1	515.9
Total receivables	585.4	527.1
Securities	67.1	199.0
Cash and bank	41.2	47.7
Total current assets	1,080.8	1,122.5
Total assets	2,492.5	2,399.0

	30.9.2001	31.12.2000
Shareholders' equity		

Share capital	217.0	217.0
Own shares	-53.5	-28.8
Other shareholders' equity	965.1	934.1
Total shareholders' equity	1,128.6	1,122.3
Minority interests	15.3	18.0
Long-term liabilities		
Interest-bearing long-term liabilities	633.2	573.3
Deferred tax liabilities	55.6	52.6
Provision for liabilities and charges	81.7	74.4
Total long-term liabilities	770.5	700.3
Current liabilities		
Interest-bearing short-term liabilities	145.9	98.2
Interest-free short-term liabilities	432.2	460.2
Total current liabilities	578.1	558.4
Total liabilities	1,348.6	1,258.7
Total liabilities and shareholders' equity	2,492.5	2,399.0

During the report period a dividend payout of EUR 36.7 million and an EUR 24,7 million purchase of the company’s own shares have been booked as a reduction in shareholders’ equity.
Foreign exchange and translation differences decreased shareholders' equity by EUR 7,5 million. Previously in connection with a change in accounting policy for major maintenance works, an amount net of deferred tax was recorded in shareholders' equity as an adjustment to the opening balance. The release of said tax increased shareholders' equity by EUR 5.9 million.

On the stock market, Kemira purchased its own shares for the personnel funds operating within the Group for the payment of bonuses that may be payable, for the payment of incentive compensation to staff in lieu of cash, provided that the Board of Directors decides to introduce this kind of incentive compensation system for staff, as well as for use as consideration in possible acquisitions.

From the 1st of January to 30th of September 2001 the Group bought back 3 816 000 shares, representing 3.1% of the share capital and 3.1% of the aggregate votes conferred by all the shares. The average price of the shares was EUR 6.47. By the decision taken at the Annual General Meeting Kemira cancelled 6 440 000 of its own shares of which 1 285 000 were acquired during 2001. The average price of the cancelled shares was EUR 5.65. Kemira had in its possession 2 531 000 of its own shares at 30th September 2001. Their average share price was 6.77 and proportion of the share capital 2.1%. They represented 2.1% of the aggregate number of votes conferred by all the shares.

The principles and accounting methods used to prepare this financial statement are consistent with those used in the annual report.

CASH FLOW STATEMENT

EUR million	1-9/2001	1-9/2000	2000
Cash flow from operations	116.0	172.0	213.9
Capital expenditure	-234.9	-180.6	-218.3
Sale of assets	12.8	518.0	527.2
Cash flow before financing	-106.1	509.4	522.8
Financing	-32.3	-258.3	-364.5
Increase / decrease in liquid funds	-138.4	251.1	158.3

EARNINGS BY BUSINESS AREA

Net sales, EUR million

	1-9/2001	1-9/2000	2000
Chemicals	680.3	645.1	888.4
Paints & Coatings	362.4	192.0	243.4
Agro	845.4	909.4	1,219.2
Other and Intra-Group sales	-34.8	168.0	135.0
Total Group	1,853.3	1914.5	2,486.0

	7-9/2001	7-9/2000
Chemicals	220.1	219.8
Paints & Coatings	124.9	66.5
Agro	228.9	266.8
Other and Intra-Group sales	-8.0	20.4
Total Group	565.9	573.5

Operating income, EUR million

	1-9/2001	1-9/2000	2000
Chemicals	67.7	79.9	115.4
Paints & Coatings	25.8	17.6	13.5
Agro	40.5	15.6	33.1
Other	-6.9	23.6	12.8
Total Group	127.1	136.7	174.8

	7-9/2001	7-9/2000
Chemicals	18.2	25.1
Paints & Coatings	12.5	5.3
Agro	-9.9	-2.1
Other	-5.0	5.4
Total Group	15.8	33.7

CONTINGENT LIABILITIES
EUR million

	30.9.2001	31.12.2000
Mortgages	109.0	110.9
Assets pledged		
On behalf of own commitments	49.8	13.5
On behalf of others	1.1	1.1
Guarantees		
On behalf of associates	44.4	36.0
On behalf of others	1.6	2.7
Operating leasing		
Maturity within one year	2.5	4.8
Maturity after one year	5.8	12.6
Other obligations		
On behalf of associates	1.4	1.3
On behalf of others	1.1	1.1

FINANCIAL INSTRUMENTS 30.9.2001
EUR million

	Nominal value	Fair value
Currency instruments		
Forward contracts	358.5	7.1
Currency options		
Bought	130.3	4.2
Sold	231.8	-2.2
Currency swaps	74.1	-3.5

Interest rate instruments

Interest rate swaps	181.2	-2.7
Forward rate agreements	616.0	-0.1
Of which open	100.0	-0.1
Bond futures	4.0	0.0
Of which open	-	-

FINANCIAL INSTRUMENTS 31.12.2000
EUR million

	Nominal value	Fair value
Currency instruments		
Forward contracts	417.6	10.5
Currency options		
Bought	208.0	1.1
Sold	257.2	0.1
Currency swaps	95.1	-9.8
Interest rate instruments		
Interest rate swaps	220.9	-3.3
Forward rate agreements	10.0	-
Of which open	-	-
Bond futures	6.0	-
Of which open	2.0	-

Financial leases have been booked in the balance sheet in fixed assets and interest-bearing liabilities.

Nominal values of the financial instruments do not necessarily correspond with the actual cash flows between the counterparties and do not therefore give a fair view of the risk position of the Group.

Fair values are based on market valuation on the date of reporting for the instruments which are publicly traded. Other instruments have been valued based on net present values of future cash flows. Valuation models have been used to estimate the fair values of options.

Derivative instruments are used solely for hedging purposes, not for speculative gain.